

UNIVERSITY OF
ILLINOIS LIBRARY
AT URBANA-CHAMPAIGN
BOOKSTACKS

CENTRAL CIRCULATION AND BOOKSTACKS

The person borrowing this material is responsible for its renewal or return before the **Latest Date** stamped below. **You may be charged a minimum fee of \$75.00 for each non-returned or lost item.**

Theft, mutilation, or defacement of library materials can be causes for student disciplinary action. All materials owned by the University of Illinois Library are the property of the State of Illinois and are protected by Article 16B of Illinois Criminal Law and Procedure.

TO RENEW, CALL (217) 333-8400.

University of Illinois Library at Urbana-Champaign

JAN 04 2000

NOV 16 1999

When renewing by phone, write new due date
below previous due date.

L162

The Interpretation of
the "Balance of Trade":
A "Wordy" Debate

THE LIBRARY OF THE

MAR 23 1989

UNIVERSITY OF ILLINOIS
URBANA-CHAMPAIGN

Salim Rashid



BEBR

FACULTY WORKING PAPER NO. 89-1538

College of Commerce and Business Administration

University of Illinois at Urbana-Champaign

February 1989

The Interpretation of the "Balance of Trade":
A "Wordy" Debate

Salim Rashid, Professor
Department of Economics

Abstract

Some of the most frequently used words such as "riches" and "wealth" had multiple meanings in the seventeenth and eighteenth centuries. A failure to attend to the political overtones of the words used has misled scholars who have interpreted the economic thought of this period.

Digitized by the Internet Archive
in 2011 with funding from
University of Illinois Urbana-Champaign

<http://www.archive.org/details/interpretationof1538rash>

THE INTERPRETATION OF THE "BALANCE OF TRADE": A "WORDY" DEBATE

"The features that are generally thought to be present in connection with a general name--necessary and sufficient conditions for membership in the extension, ways of recognizing whether something is in the extension, etc.--are all present in the linguistic community considered as a collective body; but that collective body divides the 'labor' of knowing and employing these various parts of the 'meaning' of [a word]."

Hilary Putnam

I. The single most important task facing the student of the history of ideas is perhaps the interpretation of the primary documents, pamphlets and books of earlier centuries. It has also been accepted for some time that the most reasonable way of finding the meaning of important words and phrases is by placing them in their full historical context. This however is a challenge easy to accept and hard to fulfill. Even when one has made a definite attempt to place words in an appropriate historical context, it seldom happens that any interesting phrase has an unequivocal meaning--the student now faces a further task in deciding which of several possible interpretations is to be given greatest prominence. Such a task can be done in various ways and I would like to illustrate the complexity of the process by discussing the balance of trade--the central economic concept of the seventeenth and eighteenth centuries, popularly called the Age of Mercantilism. There are a number of other issues upon which such a study may shed some light. Thomas Kuhn has argued that words sometimes drastically change their meanings during the course of a scientific revolution. Linguists worry about the variety of connotations of words--"word-fields"--and philosophers have discussed extensively the connections between natural languages and

scientific languages. However, there appears to be no study of the context of important economic words.

Few phrases in the English language have been used and studied as much as "the balance of trade."¹ Even before the phrase came into common usage in the mid-seventeenth century, the underlying concept had been used with some regularity and may be traced back as far as the fourteenth century. The phrase itself refers to a fairly mundane notion: if we pretend that a country is a single family, then the balance of trade merely tells us whether, at the years end, we owe money to others or others owe money to us; if we sold more to the rest of the world than they bought of us, so that we are owed money, the balance of trade is said to be favorable, whereas if we owe money the balance of trade is said to be unfavorable.

After 1660 "the balance of trade" came to dominate all economic discussion and Adam Smith made the phrase notorious in 1776 when he accused his predecessors of guiding economic policy almost exclusively with the aim of obtaining a favorable balance of trade. Smith explained this addiction by attributing to his predecessors the folly of Midas--the belief that gold and silver were the only true forms of wealth. In order to cure this infatuation for the precious metals Smith pointed out that houses, food, land, and goods of all kinds were the real objects of economic policy--gold and silver only provided a means for transferring goods. Smith claimed that his predecessors had suffered from an elementary confusion between means and ends. Joseph Schumpeter is one of the few economists who has directly challenged the prevailing view. In his History of Economic Analysis, Schumpeter refers to Adam

Smith's "unintelligent criticism" in the text and goes on to make a sharper charge in the footnotes.²

Adam Smith's criticism is open to a still more serious indictment. Obviously conscious of the fact that particular charge cannot be made good, he does not strictly speaking make it, but he insinuates it in such a way that his readers cannot help getting the impression, which has in fact become very general.

For most of the nineteenth century economists believed Smith's account of his predecessors and spoke contemptuously of them. With the writings of William Cunningham, Augustus Oncken and Gustav Schmoller in the 1880's the Mercantilists were seen as political theorists who viewed economic policy as one of the primary sources of the power of the state. This has begun a controversy between economists, who tend to support Adam Smith's account, and economic historians, who consider the Smithian view to be a caricature. There is no doubt that "the balance of trade" is the most frequently used indicator of good economic policy in the seventeenth and eighteenth centuries and Jacob Viner has rightly pointed out that³

The central problem in the interpretation of mercantilist theories is the discovery of the grounds on which their in the desirability of an indefinite accumulation of the precious metals was based.

In view of the need for exact monetary calculation in economics one might expect, a priori, that economics words and phrases would have relatively precise meanings. The primary aim of this essay is to point out the considerable difficulty involved in arriving at an unequivocal interpretation of "the balance of trade." That economists such as Cunningham, Oncken and Viner would attempt to place words in

context is in itself a positive step and would surely have borne more fruit if it had coincided with the current wave of interest in hermeneutics. It is a pity that subsequent economists have not followed their example. Schumpeter's pungent footnotes attacking the standard interpretation appear to have been universally ignored and it is of some importance to elaborate upon the issues Schumpeter raised. Viner himself has also been the most careful interpreter of the phrase "the balance of trade" and so I shall begin by going over Viner's highly influential arguments in order to illustrate my points.⁴

II. My aim in this section is not to provide a critique of Viner's general position on Mercantilism, but only to consider one part of Viner's case.⁵ The order in which Viner presents his arguments is as follows.⁶ First, Viner comes to the defense of Adam Smith's characterization of Mercantilism as a confusion between the precious metals and real wealth. If the Mercantilists did not believe in the Midas fallacy, Viner tells us, then (a) their arguments are much too laborious, and (b) we do not know how they would have talked about what we call "real wealth." After concluding his defense of the Smithian position, Viner tells us that most authors did not rely solely on such an erroneous identification, indeed he even doubts if the pamphleteers seriously believed it themselves, and attributes the use of such concepts to the desire for popularity.⁷ Finally, Viner provides us with three more cogent reasons for desiring to accumulate gold and silver--(a) the needs of War, (b) to store as capital and (c) to facilitate exchange.

Before coming to grips with the details of Viner's argument, it is worth pointing out how the issue would take on a new light if the three reasons given at the end of Viner's presentation were given at the beginning. The use of money as an instrument of War, or as a store of capital, or as a medium of exchange are all eminently reasonable and practical concerns. It is also generally accepted that the overwhelming majority of the literature of the Mercantile Ages was provoked by policy issues in which people wrote to secure some concrete practical end. Is it not reasonable that individuals concerned with such immediate policy issues would take one or more of these three grounds for granted and

simply assert the consequence--namely, the desirability of obtaining gold and silver. If I may use a modern analogy, when we refer approvingly to the latest computer innovation is it not true that we are taking for granted a whole train of ideas regarding the relationship of computers to man, the desirability of material progress and so on? Our silence on these larger issues should not necessarily imply that we are unaware of them or permit others to infer that we possess unequivocal opinions on these issues. The difference between the two possible approaches is that Viner presents Mercantilism as essentially erroneous, whose errors can be mitigated by auxiliary considerations, whereas one can just as well display Mercantilism as basically sensible, but prone to exaggeration and imprecision.

If then it be reasonable to assume that the Mercantilist pamphleteers took for granted one or more of these three grounds when arguing for a favorable Balance of Trade then the Midas fallacy can be proved only if we have a specific contrast drawn between real wealth and the precious metals. This is a strong requirement but it is needed to make the Smith-Viner case. Since gold and silver formed an internationally acceptable currency it is obvious that they are always a form of wealth. The Mercantilists can be shown to be in error by displaying passages where they argue that gold and silver are the only forms of real wealth. Viner was fully aware of this issue and provided what he believed to be representative quotes from leading mercantilist writers on this point.⁸

The entire issue can now be taken to hinge upon finding out exactly what is proven by the quotes Viner provides. Eleven quotes are provided and of these six use the word "riches" or "rich" or "enrich,"

two of them use the word "wealth" and two use the word "gain"; the last one refers to gold and silver as the only or most useful treasure of a nation," a view so qualified that it cannot count as evidence in behalf of the Viner-Smith position. How then are we to interpret the words "wealth," "riches" and "gain?"

Oncken and Cunningham had argued that words like "wealth," "riches" or "treasure" had a different meaning in earlier ages and that it was improper to interpret them in the modern sense. Viner disagreed and replied as follows.⁹

If it be replied that the mercantilists meant by "wealth," "treasure," "riches," "gain," "loss," "poverty," "prosperity," "profit," etc., only money or absence of money, their arguments generally become merely laborious tautologies, and it becomes a mystery: (a) why they should have thought it necessary to present so earnestly and at such great length arguments reducing to the assertion that the only way for a country without gold or silver mines to get more bullion is to obtain it from abroad in return for goods, and (b) what terms they used when they were thinking of what we mean today when we speak of riches, wealth, gain, prosperity.

The first rebuttal of Viner lies in claiming that the Mercantilists argued at great length that the only way for a country without mines to acquire riches was through the balance of trade. Here are Thomas Mun's own words on the issue:¹⁰

The ordinary means therefore to increase our wealth and treasure is by Forraign Trade, wherein wee must ever observe this rule; to sell more to strangers yearly than wee consume of theirs in value....I will take that for granted which no man of judgment will deny, that we have no other means to get Treasure but by forraign trade, for Mines wee have none which do afford it...this mony is gotten...by making our commodities which are exported yearly to over ballance in value the forraign wares which we consume.

It will be seen that Mun finds the statement to be entirely obvious. Indeed, I do not know of any Mercantilist, able or otherwise, who argued this issue as a point of some intellectual difficulty, requiring careful proof.

Viner's second response to Oncken and Cunningham was that if words did not mean then what they mean now, how did Mercantilists express the modern concepts. This is a substantative issue and will be considered later. Suppose however that the word "treasure" did mean only gold and silver, then the title of Mun's classic, England's Treasure by Foreign Trade, is simply expressing a fact of life for the English and indeed for any country without mines of its own. It is only when we read "treasure" in the modern sense as an exotic form of riches which makes one instantly wealthy that Mun's title becomes striking. The way in which Adam Smith refers to Mun's book (slightly misquoting the title) suggests that by 1776 we have already moved towards the modern connotation of "treasure."¹¹

The title of Mun's book, England's Treasure in Foreign Trade, became a fundamental maxim, in the political economy, not only of England, but of all other commercial countries.

If the above interpretation of "treasure," as the precious metals be correct, then Mun was only observing the trivial fact that England would have to look abroad for its gold and silver. How can such a platitude become a "fundamental maxim?"

Of the eleven authors quoted by Viner as representative of the confusion between money and wealth, one, Thomas Mun, is later quoted by Viner as being a moderate mercantilist who did not suffer from such a

confusion. Ten authors remain and it will suffice for my purposes to show that Viner's characterization of three of these cannot be taken as representative. The three are Samuel Fortrey, the collection of papers known as The British Merchant and Joshua Gee. Together with Mun, these four form the most famous names in the list provided by Viner. What I would like to question is not the accuracy of the quotes themselves, but whether such quotes can be considered representative of the authors quoted.¹² If such authors can be shown to be familiar with our notion of "real wealth," or if they held other aims as co-equal to the favorable balance of trade, or if they did clearly use words like "wealth" or "riches" to mean the acquisition of gold and silver, then Viner's interpretation of these authors is not the only one that can be sustained.

Samuel Fortrey was a gentleman of the Kings bedchamber and his work, England's Interest and Improvement, was published in 1663, after the manuscript had been seen and approved by Charles II. I quote at length the beginning of Fortrey's pamphlet, where it will be seen that "store" corresponds to real wealth¹³

Englands Interest and Improvement consists chiefly in the increase of store and trade.

Store comprehendeth all such commodities, as either the soil, or people of this nation are capable to produce, which are either usefull at home, or valuable abroad.

Trade is the means, by which a nation may procure what they want from abroad, and vent to the best advantage, what ever may be spread of their own increase at home.

Of store there are properly two sorts, natural and artificial.

Our natural store may also be divided into three parts.

First, the annual increase of the soil, which consists chiefly in corn of all sorts, and all the best sorts of cattel.

Secondly, the product of our Mines, of lead, tin, iron, coal, allum, and the like.

Thirdly, the great plenty of fish our seas naturally afford, of which we might reap unknown advantages, were our fishing trade rightly improved.

Our Artificial store consists in the manufacture and Industry of the people, of which the chiefest in this nation are the manufactures of woollen clothes, and all other sorts of woollen stuffs, linen cloth, silk, stuff, ribbandings, stockings, laces and the like.

Later, while describing those commodities most profitable for export, Fortrey clearly uses "richer" in the sense of meaning "more money."¹⁴

to proceed in order, and first of our natural store, and annual increase of the soil, the annual profit and increase of the soil of this kingdom, consists chiefly in corn of all sorts, flax, hemp, hops, wooll, and many more such like; and also the best sorts of cattel, as bullocks, horse and sheep; and the greater our increase is of any of these commodities, the richer may we be; for, money, and all forein commodities that come hither, are onely bought by the exchange of our own commodities; wherefore by how much our own store doth exceed those necessaries we want from abroad, by so much will the plenty of money be increased amongst us.

The British Merchant consists of a series of papers written by several prominent English merchants to protest the Commercial treaty with France. It is generally credited with being influential in leading to the rejection of the treaty and was frequently referred to by subsequent pamphleteers as embodying considerable economic wisdom. The two quotes that follow show that increasing employment was one of the primary aims of these economists and that, in somewhat of a reversal of the usual sequence, the adverse balance of trade with France was being treated as a creator of unemployment.¹⁵

That the Trade of that Country which contributes most to the Employment and Subsistence of our People, and to the Improvement of our Lands, is the most valuable.

If a Treaty of Commerce be likely to add to our capital Stock; if it shall add to the Rents of our Landed Gentlemen; if it shall increase the Employment and Subsistence of the Poor; it must needs be beneficial.

On the contrary; if it don't make the Customs and Duties reciprocal in both Countries; if it diminishes our Gold and Silver; if it shall prove a means of introducing the Product of Foreign Countries to interfere with our own; if it shall lessen the demand of our own Manufactures at our own or foreign Markets, and bring our Manufacturers to the Parish and Lands for their Subsistence; every Man is able to determine that a Treaty which shall do any of these things, is destructive to the Kingdom.

The third economist on the list is Joshua Gee, a merchant of some repute, who had contributed to The British Merchant, and wrote a popular tract entitled, The Trade and Navigation of Great-Britain considered, whose subtitle is significant in showing both the use of "riches" as "gold and silver" and the desirability of attaining full employment.¹⁶

That the surest way for a Nation to Increase in Riches, is to prevent the Importation of such Foreign Commodities as may be raised at Home
That this Kingdom is capable of raising within itself, and its Colonies, Materials for employing all our Poor in those Manufactures, which we now import from such of our Neighbours who refuse the Admission of ours.

In the Appendix to the fourth edition of Gee's work, there is an extensive description of the items we would include in a listing of items of "real wealth." It is noticeable that there is no attempt to describe all these items by a single word, which suggests that the concept of "real wealth," as we know it, was not really distinctly considered in the mid-eighteenth century. The few quotes to the contrary that can be found, in Davenant, Jocelyn and Wallace for example, are probably

indicative of the fact that the very meaning of "real wealth" was in the process of a metamorphosis from its older to its current meaning.¹⁷

GREAT-BRITAIN, with its Dependencies, is doubtless as well able to subsist within itself, as any Nation in Europe: We have an industrious enterprizing People, fit for all the Arts of War or Peace: We have Provisions in Abundance, and those of the best Sort, and are able to raise sufficient for double the Number of Inhabitants: We have the very best Materials for Cloathing, and want nothing either for Use, or even for Luxury, but what we have at Home, or might have from our Colonies; so that we might create such an Intercourse of Trade among ourselves, and between us and them, as would maintain a vast Navigation, even tho' we traded to no other Parts: And as Linnen is the Manufactury wherein we have been the most deficient, Ireland has of late Years made a very great Improvement therein:

The questionable validity of the quotes provided by Viner extends to other authors whom Viner labels as "extreme mercantilists." Of the four authors whom Viner refers to under this rubric, the quote provided from one of them, John London, relies on the forced interpretation of "riches" already discussed above. Another author, Lewes Roberts, can be shown to have used "riches" in several senses, while the claim that Erasmus Phillips was an extreme mercantilist is truly puzzling. Consider the two following quotes, which show how money was considered instrumental to other ends.¹⁸

Even Money itself without Trade, like stagnated Water, is of little use to the Proprietor

Gold and Silver being only valuable as they relate to other commodities. But as the Riches of a Country does not consist in any Quantity of Gold and Silver, if it cannot keep them, or acquire more; so our utmost Attention should be to preserve those Methods [of increase].

Viner is quite aware that words may have multiple meanings, but he does not quite concede the difficulties in interpretation that arise therefrom.¹⁹

"Riches," "wealth," "treasure" had ambiguous meanings in the seventeenth and eighteenth centuries. They meant money, jewels, and other especially precious commodities at one moment, and all goods useful to man at another moment. Very often this shift of meaning occurred within the limits of a single paragraph or even sentence, and reasoning involving, and obtaining what plausibility it has from, such shifts in the meaning given to terms constitutes a large portion of the mercantilist argument, and especially of the balance-of-trade doctrine.

If the words are truly ambiguous, then one can retort to Viner's claim that the Mercantilist case gains what sense it has by jumping between meanings by arguing that the Mercantilist case derives what absurdity it has from shifts in the meanings of words. It all depends upon whether we are obliged to place the most or the least sensible meaning upon the words of an earlier age.

III. A review of Viner's treatment of Mercantilism thus indicates that the deficiency in Viner's treatment is due not so much in a failure to recognize multiple causes but rather in the relative importance assigned to the several causes. The same point can also be made with regard to Eli Heckscher's outstanding work on Mercantilism. This is all the more curious because Heckscher begins by noting, explicitly and carefully, that power was the *raison d'etre* of the mercantilist state²⁰

For him [i.e., Adam Smith] power was certainly only a means to the end...Mercantilists usually believed the reverse, and mercantilism as a system of power was thus primarily a system for forcing economic policy into the service of power as an end in itself.

Heckscher goes on to observe that the pursuit of power makes the aggressive and even malevolent policies of the mercantilists understandable.²¹

the goal [i.e., power] could be achieved just as well, if not better, by weakening the economic power of other countries instead of strengthening one's own. If wealth is considered as an aim, this is the height of absurdity, but from the point of view of political power it is quite logical.

Heckscher then provides cogent illustrations of this thesis from such writers as von Hornigk, Roger Coke and John Locke.

Immediately following these pages, however, Heckscher goes on to argue that²²

In the last instance, the ideas were based on a static conception of economic life: the view that there was a fixed quantity of economic resources in the world...a particular country could change and was capable of progress, but that this could only happen through acquisitions from other countries. This was the tragedy of mercantilism.

Having just admitted that power is relative and that economic resources were the primary source of power how could Heckscher call the mercantilist

economic view "static"? So long as power is relative and economics is subordinate to politics, all such views must be "static." It should be made clear that, in this context, the static viewpoint is no reflection on mercantilist economics, a point Heckscher fails to raise. The misuse of "static" in this connection can only serve to provide a pejorative air to mercantilist economic thought. A similar misuse arises in Heckscher's characterization of the mercantilist attitude towards commodities as "fear of goods." In a footnote to the second edition Heckscher fully accepts E. A. J. Johnson's explication of the "fear of goods" as "a fear of redundant stocks of finished goods."²³ In this last sense however the point is trivial--when have merchants not been afraid of unsold products lying on their hands?

This refusal to impose an order of priorities upon mercantilist thought leads Heckscher to a truly perplexing characterization of the mercantilist attitude to money and wealth. Heckscher finds the belief that only money has value to be "so obviously absurd" that we may "take it for granted" that no one actually held it. Nonetheless, there is no doubt that such expressions exist. Heckscher therefore provides several quotes for this viewpoint and comes to the conclusion that the confusion of money with wealth was typical²⁴

It is not my intention to prolong these quotations endlessly; they could fill many pages. It may be said that the discussions concerning national wealth which took place in England towards the end of the 17th century among less intelligent, but none the less characteristic, writers led to a pure Midas-like view of the precious metals, i.e., that all economic value consisted in precious metal.

Heckscher feels uncomfortable with this claim and again goes on to point out that the mercantilists would "not deny that people must eat,

clothe themselves, and have a roof over their heads." Their silence in not asserting these facts indicates an attitude but should not be pushed to grotesque lengths. However, Heckscher himself pushes the argument along this groove. He notes the mercantilist disregard for consumption goods and their habitual neglect of domestic costs as costs and concludes²⁵

If we attempt to pursue this argument to its logical conclusion it is obvious that the outcome could be nothing other than "treasure."...all that remained was to direct the productive powers to the acquisition of money and precious metals...For two centuries writers on economics were unanimous in the belief that the argument outlined here was sound. To quote them all would only be to repeat the same thesis ad nauseam.

Once again, the pursuit of power, which Heckscher himself had so emphasized, has been neglected and the mercantilists considered as though their goal was to increase riches in the modern sense of the term. To complicate matters even more, Heckscher is emphatic in asserting that the mercantilists²⁶

were in no way aware that they idolised money and the precious metals

Rather, their economic policies were guided by "unconscious elements" which served to provide the precious metals with "a halo of significance."

Despite his attempts to be fair, Heckscher cannot hide several expressions of amusement at the thoughts of the mercantilists--von Hornigk is called the "Tertullian of mercantilism" and on reading Papillon "one might think that at last a perfectly sane and practical view of the actual conditions had been hit upon."²⁷ Are we then to

conclude that mercantilist ideas are the "reflection" of a (non-mercantilist) subconscious and that, for over two hundred years, economic thought was guided by an unanalyzed halo?

IV. In his pioneering work on The Growth of English Industry and

Commerce, the Rev. William Cunningham wrote of the Middle Ages that²⁸

the very terms by which we habitually describe the industrial condition of the present day are inapplicable if we wish to analyse the circumstances of these earlier times. Labour, Capital, and Rent have all altered their connotation so much, that we run considerable risk of confusing ourselves if we are satisfied with adopting modern language to describe the period of the Domesday Survey. This is perhaps the greatest difficult with which we have to contend.

The fact that the seventeenth and eighteenth centuries are not so dissimilar from our own age has perhaps misled scholars in their interpretation of earlier pamphlets. When Jacob Viner asks how these ages would express our concepts of wealth and consumption, he is, to a certain extent, also assuming that these concepts were of sufficient interest to be frequently used and unequivocally expressed. It is odd that Viner is willing to give words unequivocal modern meanings in his quotes when he himself recognizes that the seventeenth and eighteenth centuries did not share the modern notion of enjoying goods but rather focused upon the ways of growing richer²⁹

The emphasis on saving is shown also by the frequent exclusion of consumable goods, or goods destined for consumption instead of for accumulation, from "riches," the latter term being confined to saved or accumulated goods.

Raymond Williams points out that the root of "consume" meant to devour or waste and that "in almost all its early English uses, consume had an unfavorable sense," as in the disease pulmonary pthysis or "consumption."³⁰ Now it is one sort of defect in the Mercantilist literature not to have wanted consumption, it is quite another to say

that they wanted to consume (in our sense) but did not know how to achieve it. Irrationality in the choice of means can be corrected but irrationality in the choice of ends is a disease without a cure.

Viner's refusal to give due weight to the non-economic senses of the words he quoted and his readiness to discount the importance of power makes him curiously unable to find a suitable interpretative framework for the many accurate observations he provides.

Many examples can be provided to show the great fluidity in the use of words in economic discourse. Consider the words "stock" and "store." In 1659, English merchants complained that trade with France "doth exceedingly drain us; for that thereby our National Stock is diminished and the Frenches Stock Increased a Million of Pounds." Here "stock" clearly refers to an amount of money. Four years later, while dealing with the very same topick, Samuel Fortney used the very similar word "store" to refer to a physical accumulation of goods.³¹ So these closely related words had very different meanings for economists.

The words "wealth" and "riches" are perhaps the most important one for the purposes of this essay and it is worth demonstrating that these words retained a multiplicity of meanings right down to the time of Adam Smith. The word wealth was frequently used in conjunction with Honor and since Honor invariably denoted martial prowess, this provides us with a clue to interpreting "wealth." Whenever the Mercantilists spoke of pursuing wealth, they meant both "wealth" (in our sense) and power. To divest their words of this political use is to distort their intent.³²

The close connection between wealth and power is shown in the pamphlet of Dudley North, frequently held to be one of the more brilliant precursors of Adam Smith.³³

What is commonly understood by Wealth viz
Plenty, Bravery, Gallantry and cannot be
maintained without Foreign Trade.

The connotations of Bravery and Gallantry have however been quite missing in the literature on Mercantilism.

About half-a-century later, the Irish banker, Richard Cantillon, writes³⁴

It is this balance of trade which enriches nations in the present situation of the world, as the acquisition of bullion, of which money is made, is that which acquires to one nation, comparing with another, its superiority of power, force and influence.

While such an identification of increased wealth, in the form of gold and silver acquired through the balance of trade, with national power had been made earlier by John Locke, it is more notable in Cantillon because Locke was actively a politician while Cantillon never was.

"Riches," on the other hand, meant primarily a plenty of money, as in North's statement, "Riches, or in the common phrase, plenty of money." Nonetheless, the sense of riches as a plentitude of goods was also widely prevalent. When David Hume asked whether a Rich Country could be overtaken by a poor country he meant rich in the sense of one with more money. In a critique of Hume, the Rev. Josiah Tucker used the word rich in both senses, but primarily to imply more real wealth. Viner notes the ensuing situation as follows.³⁵

Tucker, in the course of an attempt to refute Hume's argument, follows Hume's ambiguous terminology too closely . . . and Hume, in an unsatisfactory reply, himself follows this shift in issues.

What better proof of multiple meanings can there be than the confusion two first rate minds can suffer? The Rev. Robert Wallace and the Rev. Nathaniel Foster are widely believed to be two of the more able liberal economists in the two decades before Adam Smith--and yet, a look at their pamphlets will show that they too did not feel confident about assigning an unambiguous meaning to "riches" and "wealth."³⁶ Is it not curious how almost every economist who has been held up as a "precursor" of Adam Smith still shows attention to both the economic and non-economic connotations of "riches" and "wealth?" In this perspective, it becomes clear that one of the reasons why Adam Smith was able to obtain sharper results in the Wealth of Nations was not necessarily his possession of better analytics but rather his determination to use some critical words solely with their modern meaning. Alan Coddington is one of the few economists who has clearly noted the importance of the words we use:³⁷

The language of economic theory, like any language, provides a framework for thought; but, at the same time, it constrains thought to remain within that framework. It focuses our attention; determines the way we conceive of things; and even determines what sort of things can be said. The commitment to use any language is also a commitment to conduct discourse in terms of assertions which are expressible in that language. A language, or conceptual framework is, therefore, at one and the same time both an opportunity and a threat . . . both a springboard and a straitjacket.

V. That words have an imprecisely defined content even in a seemingly technical subject like economics is not adequately appreciated. For all the fun they poked at the Mercantilist conception of wealth, the classical economists could not reach close agreement on this issue either and the Oxford English Dictionary introduced a specific entry for wealth as used by economists.³⁸

Economics. A collective term for those things the abundant possession of which (by a person or community) constitutes riches, or "wealth" in the popular sense. There has been much controversy among economists as to the precise extent of meaning in which the term should be used.

Nor is this ambiguity limited to words like "riches" and "wealth." The law courts have almost continually defined the limits of "property" while the word "manufacture" is so far from its original connotation of man-made that we almost exclusively associate it with machinery. Just because we have been using the same word for centuries, we have to be especially careful in ensuring that older documents are being read in context. We would do well to heed Ian Hacking's observation that³⁹

When I find that the word "determinism" begins in German around 1788, and that its usage in terms of efficient causes rather than predetermining motives begins in all European language around 1860, I am surprisingly inclined to say that a new concept comes in with the use of this word.

In a careful and much-quoted study of the proper methods of historical research, Quentin Skinner came to some conclusions that must depress the student of the history of economic ideas.⁴⁰

The appropriate, and famous, formula--famous to philosophers, at least--is rather that we should study not the meanings of the words, but their

use. For the given idea cannot ultimately be said in this sense to have any meaning that can take the form of a set of words which can then be ex-cogitated and traced out over time. Rather the meaning of the idea must be its uses to refer in various ways...If there is good reason to insist that we can only study an idea by seeing the nature of all the occasions and activities--the language games--within which it might appear, then there must be correspondingly good reason to insist that the project of studying histories of "ideas," tout court, must rest on a fundamental philosophical mistake.

An examination of the writings of Jacob Viner and Eli Heckscher on the balance of trade, perhaps the most influential and certainly the most careful works on this issue, reveal that Skinner's structures possess considerable justification. Nonetheless, Skinner's recommendations can be interpreted in too nihilistic a fashion. Ideas such as the balance of trade do persist in the economic literature for over two centuries; for most of this time they form a major, if not the principal, topic of discussion; as historical writing needs to have some organizing principle to bring coherence to events spanning several centuries it is not really possible to avoid coming to grips with such concepts as the balance of trade. Nor is it impossible for a phrase to have a clearly defined social meaning for extended periods of time. No student of the period would deny two outstanding features of the literature of Mercantilism. First, that political issues generally dominated economic considerations and secondly, that many of the pamphlets were motivated by narrow self-interest (and recognized as such). In a seminal essay on the "Tory origins of Free-Trade policy" William Ashley provided a cogent and penetrating description of debates on economic policy in the 1670's and showed how the policy of free trade--and, by

implication policies based on the balance of trade--derived primarily from political considerations and secondarily from the internal squabbles of the East India Company.⁴¹ If more careful work is done along these lines phrases like the "balance-of-trade" will perhaps cease to be a battle-ground.

The recurrence of worry about the balance of trade for over two centuries has led economists such as Heckscher to insist that mercantilist ideas bore no relationship with reality; economic historians such as Barry Supple have retorted that the recurrence of the same economic problem is just as likely the cause for the constant use--or even rediscovery--of the concept.⁴² Every time the concept becomes significant it is necessary to examine the accompanying political and economic circumstances in order to see whether some more reasonable explanation than the peurile identification of money with wealth is available. If words which are widely used really do possess significant multiple meanings then the only way by which we can focus the particular meaning intended is by a close attention to historical context. In the graphic words of S. R. L. Clarke⁴³

Words convey more than they say, and never all that there is. We have an imaginative grasp of solid reality, but cannot think about reality except by mapping it out in our verbal language, which cannot accomodate more than a particular cut through the manifold of experienced being.

NOTES

I am grateful to Larry Laudan, David Levy, and A. M. C. Waterman for comments on an earlier version.

¹ T. S. Kuhn, The Structure of Scientific Revolutions (New York 1971), 148-50. For a useful bibliography, as well as a collection of classic articles, see D. C. Coleman ed. Revisions in Mercantilism (London 1969).

² An Inquiry into the Nature and Causes of the Wealth of Nations ed. E. Cannan (New York 1937). Most of Book IV is given to a critique of the Mercantile System. J. Schumpeter, History of Economic Analysis (London: Allen and Unwin, 1954), 361.

³ Studies in the Theory of International Trade (New York 1937), 15. The argument that the Mercantilists wished for an "indefinite" accumulation of gold and silver is questionable. In later work, Viner agreed that Mercantilist writings were probably best interpreted as short-run in aim, hence the question of "indefinite" accumulation will not be considered further.

As I do not read German, I am relying on Viner's presentation of Cunningham's article and of Oncken.

⁴ For a recent example of Viner's authoritative status see G. Anderson and R. Tollison, "Sir James Steuart as the the Apothesis of Mercantilism and His Relation to Adam Smith," Southern Economic Journal (Oct. 1984), 456-468 and "Smith, Steuart and Mercantilism: Reply," ibid. (Jan. 1986), 583-586.

The most widely used graduate text in the history of economics also follows Viner. M. Blaug, Economic Theory in Retrospect (Cambridge: C.U.P., 1985) 4th ed., 11-16. (To be fair, in correspondence Professor Blaug has said that this chapter needs to be rewritten.)

J. Schumpeter, op. cit., p. 36, n. 26, p. 362, n. 27, p. 364, n. 5.

⁵ I have discussed the general polemical issues involved in "Economists, Economic Historians and Mercantilism," Scandinavian Economic History Review (1980), 23, 1-14.

⁶ Studies, op. cit., 15-22.

⁷ ibid., 17-18.

⁸ ibid., 16-17.

⁹ This last qualification is probably a rhetorical gloss; if taken seriously it would negate the point of the pages spent discussing the mercantilist conception of wealth. For another such example see note 20.

¹⁰ England's Treasure by Foreign Trade (1664) reprinted in J. R. McCulloch editor, Early English Tracts on Commerce (1856) (Cambridge 1954), 5, 15.

¹¹ Smith, op. cit., 403.

¹² At one point Viner does state that "It is impossible...to understand...common mercantilist arguments...unless they believed, momentarily at least, that all goods other than money were worthless, or were of value only as they served as means of securing money." op. cit. 16-17. No one would defend the "momentary" import of some sentences as a basis for interpretation, and I am sure Viner himself could not have meant such momentary allusions to form the basis of his case.

¹³ Originally published in 1663, Fortrey's work is reprinted in McCulloch, op. cit., 7-8.

¹⁴ ibid., 16.

¹⁵ The British Merchant, 3rd ed., (London 1748), I, 18, 140.

¹⁶ (London 1728; 4th ed. 1739). Reprinted by Augustus Kelley (New York 1969).

¹⁷ ibid., 235.

¹⁸ The State of the Nation (London 1725), 2, 7.

¹⁹ ibid., 16.

²⁰ Eli Heckscher, Mercantilism (London 1965), II, 17. Heckscher's work has been criticized frequently by economic historians, most notably by D. C. Coleman, "Eli Heckscher and the Idea of Mercantilism" reprinted in Coleman, op. cit., 92-117. For my purposes Heckscher is not as relevant because he readily conceded the propagandistic aspects of the representation of Mercantilism in the Wealth of Nations and because he is not so self-consciously concerned with the proper methods of interpreting sources as Viner was.

²¹ op. cit., 17.

²² op. cit., 24-26.

²³ op. cit., 59.

²⁴ op. cit., 188.

²⁵ op. cit., 194.

²⁶ op. cit., 260.

²⁷ op. cit., 22, 191.

²⁸ The Growth of English Industry and Commerce (Cambridge: C.U.P., 1905), I, 5.

²⁹ Viner, op. cit., 27.

³⁰ R. Williams, Keywords, (Glasgow, Fontana, 1980) 68.

³¹ M. Priestley, "Anglo-French Trade and the 'Unfavourable Balance' Controversy, 1660-1685," Economic History Review, 4, 1, 37-52.

³² For wider views of the concept of Honour, see M. James, "English politics and the concept of honour, 1485-1642" in Society, Politics and Culture (Cambridge, C.U.P., 1986), 308-415, and J.C.D. Clark, English Society 1688-1832 (Cambridge, C.U.P., 1985).

³³ Discourses upon Trade (London 1691) reprinted by Johnson Reprint Corp. (New York 1971), 15-16.

³⁴ Essay . . . on Trade (London 1755), 33.

³⁵ Viner, op. cit., 87.

³⁶ R. Wallace, Characterisitics of the Present Political State of Great Britain (London 1758). N. Forster, An Inquiry into the Causes of the Present High Price of Provisions (London 1767).

³⁷ As quoted by J. E. King, Economic Exiles (New York, St. Martin's, 1988), 12.

³⁸ Oxford English Dictionary (Oxford; University Press, 1933), p. 222. The entry goes on to present John Stuart Mill's definition as that most commonly accepted. Among economists, only T. R. Malthus appear to have been acutely conscious of the need for a uniform terminology, On Definitions in Political Economy (London: Murray 1827).

³⁹ "Five Parables," in R. Rorty, et al., eds. Philosophy in History (Cambridge; University Press, 1984), p. 11.

⁴⁰ "Meaning and Understanding in the History of Ideas," History and Theory, 8, (1969), 37.

⁴¹ W. Ashley, Survey's Historic and Economic (London: Longmans, 1900), 268-303. The extent to which general views dominate the interpretation of early texts is clearly visible in Klaus Knorr's carefully researched, British Colonial Theories, 1570-1850 (Toronto: University of Toronto, 1944).

⁴² B. Supple, Commercial Crisis and Change in England, 1600-42 (Cambridge 1959).

⁴³ S. R. L. Clarke, The Mysteries of Religion (New York: Blackwell 1986), 49.

Having mentioned Kuhn's incommensurability thesis in the introduction, it may be worthwhile to point out that economics does not provide ambiguous words which cannot be translated from one framework to another. Rather, no one seems to have understood the problem and made the effort. This is more conformable to Larry Laudon's thesis, Progress and its Problems (Los Angeles: U. California 1977). For a readable, if somewhat technical, account, see David Pearce, Roads to Commensurability (Dordrecht: Reidel 1987).

HECKMAN
BINDERY INC.



JUN 95

Board - To - Please N MANCHESTER,
INDIANA 46962

UNIVERSITY OF ILLINOIS-URBANA



3 0112 045801468